

How budget-making has changed

By Todd Duvall

Kentucky is a state with limited state tax revenues when it comes to meeting all of the needs of its 4 million citizens.

When governors and legislators take up the task of spending those limited tax revenues every two years, there is a long history of conflict between the state's urban areas and rural Kentucky. And with too many state-supported universities, there develops an inevitable rivalry among them in dividing up money set aside for higher education.

The 2006 General Assembly has been no different and, in fact, provides strong evidence that the urban/rural conflict and the higher education rivalry will only grow in future years and render formulating a two-year state budget all the more difficult.

The budget proposed in January by Gov. Ernie Fletcher was greeted with grumbling from Louisville to Louisa and outright disdain on university campuses throughout the state. In trying to make everyone happy, Fletcher succeeded in making everyone unhappy.

The budget changes made in the House of Representatives left Louisville far more unhappy than Fletcher's budget, and university presidents perked up considerably because the House approved hundreds of millions of dollars in new campus construction – much of it using borrowed money.

Then the Senate took its turn at juggling \$18 billion over the next two years. Louisville got its two new bridges back and rural areas got needed road projects. The University of Kentucky got full funding toward reaching national stature as a research institution, but at the expense of the University of Louisville and the regional universities. And the Senate borrowed even more than the House to balance the state's books.

So as legislators from the House and Senate gathered to work out a compromise on all of this, those who benefited from one or other proposed budget were busy making sure they continued to benefit in the final version. Those who lost – including a bunch of university presidents – were hurriedly rallying supporters to

pressure for a bigger slice of the final pie.

And none of this takes into account the growing demands of elementary and secondary education, Medicaid and social programs at the state and local levels, big city and small town.

All of these often conflicting interests will grow in 2008 and 2010 and on into the new century.

The solution, at least in part, is new sources of state revenue. The tax tinkering Fletcher proposed and legislators adopted last year is not going to be the spewing fountain of growth many hoped for. And contemporary lawmakers aren't apt to use subterfuges of their predecessors to raise taxes – a one-time veterans bonus, a Supreme Court ruling to equalize education spending.

A bill to legalize casino-style gambling is dead once again, but it succeeded in moving further than any other gambling bill has in the past.

At some point – maybe next year or the year after – the inability of state revenues to meet the needs of Kentucky's cities and rural counties, its universities and its public schools, its poor and disabled will convince a majority of lawmakers, Democrats and Republicans, that new money is necessary. Borrowing a couple of billion dollars every two years can't go on indefinitely if the state is to remain a good credit risk in the bond markets.

That's when Kentuckians will get the opportunity to play slot machines and poker at casinos in Kentucky and not in Indiana. The state will get a solid chunk of every dollar wagered in those casinos, and many of those in the General Assembly so adamantly opposed to expanded gambling will wonder why we waited so long.

Will legalized casino gambling solve the revenue problem?

Hardly, but it will produce enough new money to justify the casinos. It will allow legislators a few years to spend it on worthwhile projects and programs before they have to confront once again the chronic problem of ever-growing demand for money and too little revenue to meet the demand.

How about a tax increase to finance a one-time veterans bonus for those who fought in the two Gulf wars and Afghanistan?